



California Initiative

Additional Ancillary Benefits Data

June 2006



Ancillary Benefits Assessment History and Milestones



November 2004	Investment Committee directed staff to enhance reporting of the Program, including a thorough assessment of the ancillary benefits.
March 2005	Staff completed project design and subsequently engaged Pacific Community Ventures (“PCV”) and LP Capital Advisors (“LPCA”) to assess the ancillary benefits of the Program
December 2005	Initial assessment and report completed by PCV and LPCA
February 2006	Presentation of ancillary benefits assessment. Investment Committee requested additional data.
June 2006	Ancillary benefits assessment expanded per Board request. Pending further guidance from the Board, staff has plans in place to begin second round of data collection.

Additional Ancillary Benefits Data



- **Profile of the California Initiative in the Central Valley**
- **Review of California Initiative Underserved Market Indicators**
- **Sensitivity Analysis Around Underserved Market Indicators**

CalPERS California Initiative in the Central Valley*



	Central Valley	State of California
Demographics		
Total Population	3,309,107	33,836,096
% of Statewide Population	9.8%	100%
Labor Force	1,657,800	17,695,480
% of Statewide Labor Force	9.4%	100%
Estimated Population Living in LMI Geographies	2,250,192	14,689,882
Estimated % of Statewide Population Living in LMI Geographies	15.3%	100%
California Initiative Employment		
California Initiative California Employment	567	5,014
% of California Initiative California Employment	11.3%	100%
California Initiative California LMI Employment	415	1,970
% of California Initiative California LMI Employment	21.1%	100%

* Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties

CalPERS California Initiative in the Central Valley*



California Initiative Facilities	Central Valley	State of California
Portfolio Company Headquarters	0	48
Manufacturing/Distribution/ Call Center/Professional	3 (2 specialized consumer product warehouse/distribution facilities; 1 media outlet)	84
Retail, Hospitality, Service Center	18 (16 specialty retail locations; 2 hotels)	141

* Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties

Underserved Market Indicators



Underserved markets are less efficient and have the potential to provide superior investment performance

Investment Opportunity

- Companies located in areas where access to institutional equity capital is limited
- Companies that employ workers who reside in economically disadvantaged areas
- Companies with female and/or minority management

Underserved Market Indicators



- **Companies located in areas where access to institutional equity capital is limited**
- **Companies that employ workers who reside in economically disadvantaged areas**
- **Companies with female and/or minority management**

“Companies Headquartered in Areas That Have Not Traditionally Received Institutional Equity Capital”



Definition of “geographic area that has traditionally received VC:”	% of all VC committed between 2000-2005 to companies headquartered in this area. (% VC committed to companies located in areas where VC has traditionally been invested.)	# (%) CA Initiative companies headquartered in this area. (CA Initiative companies headquartered where VC has traditionally been invested.)	# (%) CA Initiative companies headquartered outside this area (CA Initiative companies located in areas that have NOT traditionally received VC.)
Top 100 zip codes (Existing Indicator)	Approx 30%	17 (25%)	51 (75%)
Top 200 zip codes	Approx 40%	18 (26%)	50 (74%)
Top 297 zip codes	Approx 50%	20 (29%)	48 (71%)
Top 500 zip codes	Approx 60%	25 (37%)	43 (63%:
Top 1000 zip codes	Approx 75%	35 (51%)	33 (49%)

- As a frame of reference, there are over 40,000 zip codes in the United States.

“Company Employs Workers From Economically Disadvantaged Areas”



% of CA Initiative California Employees Who are Residents of an Underserved Area	Number of Companies	% of All CA Initiative Companies (68)
25% (Existing Indicator)	32	47%
30%	28	41%
40%	23	34%
44%	19	28%
50%	18	26%

- 44% of Californians live in low-to-moderate income (LMI) census tracts. Approximately 40% of CA Initiative California employees are residents of LMI census tracts. CA Initiative companies employ a slightly lower proportion of LMI residents than the state as a whole. However:
 - 15% of CA Initiative companies employ fewer than 10 people. Start-up companies such as these tend to employ high-level knowledge workers only. As these companies expand, some of them will likely require the entry- and mid-level workers more likely to come from LMI areas.
 - Jobs at CA Initiative companies tend to be higher quality jobs—Almost 90% of CA Initiative companies with fewer than 100 employees offer health insurance, compared to only 63% nationally.

“Definition of a ‘California Company’”



- At almost half of CA Initiative portfolio companies, 100% of the employees are California residents.

Definition—At least X% of company’s employees are California residents	Number of “California Companies”
10% (Existing Definition)	51 (75%)
25%	49 (72%)
50%	45 (66%)
100%	31 (45%)

- Population of California is 12.2% of US population. California labor force is 12.0% of the US labor force.

“Diversified Ownership or Management”



Company Size (# of employees)	# of Cos	Average # of officers per company	Cos with at least 1 woman/ minority officer (Existing Indicator)	Cos with at least 2 women/ minority officers
1000+ employees	8 (12%)	6.75	2 (25%)	1 (13%)
100-999 employees	11 (16%)	4.18	9 (82%)	6 (55%)
1-99 employees	49 (72%)	3.10	28 (57%)	6 (12%)
Total	68 (100%)	3.71	39 (57%)	13 (19%)

- CA Initiative portfolio companies appear to compare favorably to California as a whole:
 - Approximately 25% of California’s 200 largest public companies have only 1 female officer. Only 8% of these companies have 2 or more women officers. Of California Initiative companies, 57% have at least 1 female or minority officer.
 - In 2001, approximately 5% of venture capital commitments went to firms run by women. Between 1992 and 1997 (latest data available) between 2% and 5% of venture capital commitments went to minority-run firms.

“Diversified Ownership or Management”



Women Officers

# of companies where women officers are at least 20% of all officers	20 (29%)
# of companies where women officers are at least 30% of all officers	14 (21%)
# of companies where women officers are at least 40% of all officers	8 (12%)

Minority Officers

# of companies where minority officers are at least 20% of all officers	24 (35%)
# of companies where minority officers are at least 30% of all officers	18 (26%)
# of companies where minority officers are at least 40% of all officers	16 (24%)

- Only 25 (12.5%) of California’s 200 largest public companies have more than 20% women directors and executive officers. By comparison, at 29% of California Initiative companies, at least 20% of officers are women.

Ancillary Benefits Assessment



- **Looking Forward**
 - **Planning for second round of data collection this summer**
 - **Welcome Board questions and guidance**